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C O N F I D E N T I A L SECTION 01 OF 02 LILONGWE 000651

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SUBJECT: GOM EXPLAINS SUSPENSION OF ANTI-CORRUPTION CHIEF,
SEEKS TO REASSURE DONORS

REF: LILONGWE 643

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Classified By: CDA David Gilmour for for reasons 1.4 b and d.

11. (SBU) Summary: The Government of Malawi met with donors to explain the recent suspension of the head of the Anti-Corruption Bureau (ACB) and to reassure donors that the country's anti-corruption efforts remain as serious as ever. End summary.

A Period of Risk

12. (C) Finance Minister Goodall Gondwe summoned heads of selected donor missions to a meeting on July 31 to explain President Mutharika's suspension of ACB Director Gustave Kaliwo (reftel). Gondwe began the meeting with the statement that Malawi "is in the worst crisis a country could ever face over its budget" in the ongoing wrangling between government and opposition to pass the national budget. He said repeatedly that Malawi was "facing chaos" if the budget did not pass, and that the political environment at this time is particularly fragile.

13. (C) Gondwe explained that President Mutharika had asked ACB Director Kaliwo some weeks ago to consider the current sensitivities of the budget debate before making any move to arrest former president Bakili Muluzi on corruption charges. The ACB has been building a case against Muluzi for well over a year, and there have been persistent rumors of his impending arrest for some time. According to Gondwe, Kaliwo had assured Mutharika that he would take into account the political environment, and had told the President as recently as July 26 (the day before the arrest) that he would not take any action. Kaliwo's arrest of Muluzi on July 27 came as a complete surprise to Mutharika. When the president attempted to call Kaliwo to get an explanation, the ACB director refused to take his call.

Budget Politics and Bad Behavior

14. (C) Gondwe said that the Muluzi arrest and Kaliwo's subsequent defiance of Mutharika were "the icing on the cake" of a long pattern of irresponsible behavior by the ACB chief that has concerned the President for some months. He

proceeded to list a number of Kaliwo's sins: that he "drinks too much," is "always yapping about arresting this person and that person," and that he has crashed four GOM vehicles, allegedly while driving intoxicated. He said that Kaliwo had been seen in many bars, was frequently drunk in public, and had refused a police escort to accompany him during his off-hours. Gondwe did not mention Kaliwo's widely-rumored extramarital affair with Clerk of Parliament Matilda Katapola, with whom he has been seen at many public functions in Lilongwe, including a reception at the British High Commissioner's residence the night before Muluzi's arrest. Certainly the conservative Mutharika would have found Kaliwo's public displays to be distasteful. Gondwe declared that Kaliwo had behaved irresponsibly and that "any Malawian would say that he does not deserve to hold such an important job."

15. (C) Gondwe said the Muluzi arrest "made my life very difficult," and his tense budget negotiations with the opposition immediately broke down when the arrest was announced. He admitted that the president's suspension of Kaliwo had succeeded in bringing the opposition back to the bargaining table, and he expressed hope that the budget would finally pass in the coming days.

GOM Still Fighting Corruption

16. (C) Gondwe took pains to reassure donors that the GOM is still strongly in the fight against corruption, despite the suspension of its key corruption fighter. He declared that "we are not going to drop this case" against Muluzi. He said that anti-corruption is the centerpiece of GOM policy, and that "anyone who knows Bingu wa Mutharika knows he will not give up this fight."

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Comment

17. (C) We are inclined to believe Gondwe when he says the GOM is still dedicated to fighting corruption, but this messy incident is a black eye for all concerned. Kaliwo, who until now seemed to enjoy the president's confidence, is finished. Mutharika looks weak in the eyes of the opposition, and Gondwe was reportedly forced to make several concessions in order to get the opposition back to the table to discuss the budget. Muluzi has again walked free for the moment, and it is unknown when the ACB will take up his case. Mutharika has interfered with the independence of ACB, upsetting donors. In sum, this is another ham-handed maneuver by the Mutharika government of the kind that keeps political stability in this country continually on a knife-edge.

GILMOUR